

September 9, 2014

976

Mr. Tom Wheeler  
Chairman  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
Washington, DC 20554

Dear Chairman Wheeler:

We write to you to express our concerns regarding the Federal Communications Commission's (FCC) ongoing plan to raise the "rate floor" for phone rates of rural consumers across the country. While we understand the FCC's need and statutory obligation to ensure fairness in rates for all consumers who contribute to the Universal Service Fund, we fear that current policies could ultimately harm some rural consumers.

Under your leadership, the FCC has taken important first steps to blunt the impact of a drastic increase of the rate floor on rural consumers by delaying the implementation of the new increase and phasing in additional future increases. This was a reasonable and prudent action, and we appreciate your responsiveness to those who requested such steps.

Nonetheless, as currently constructed, the rate floor puts rural telephone companies in an untenable position in which they must choose between raising rates to levels that, in some cases, are more than the rates their urban counterparts charge many of their customers, or receiving reduced universal service support. This is in spite of the fact that these rural exchanges often do not resemble their urban areas along key metrics like population, geography, and income, as well as other demographics.

Though we support policies that ensure that all ratepayers, both urban and rural, are not unreasonably subsidizing artificially low rates, the current rate floor structure does not take into account the diversity of rural exchanges in our states nor gives those exchanges flexibility to meet their individual challenges. Ultimately, we believe a better rate floor policy can be created to discourage artificially low phone rates and protect rural consumers from unnecessary rate increases.

As the FCC will soon begin to receive data on rural phone rates, we believe the Commission should use this opportunity to reevaluate the structure of the rate floor and consider changes to ensure that rural consumers are protected from unnecessarily excessive rate hikes. We believe such reasonable measures can be undertaken in coordination with the Commission's important goal of ensuring that rural and urban consumers alike are not subsidizing artificially low rates for a small number of consumers in some states.

We hope the Commission will address this issue promptly, and we look forward to your response.

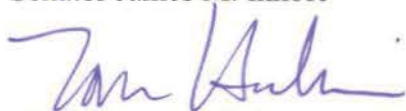
Sincerely,



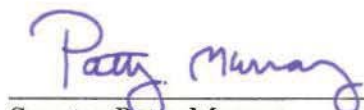
Senator Mark Pryor




Senator James M. Inhofe



Senator Tom Harkin



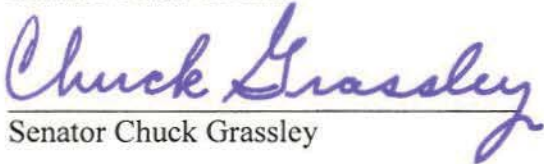
Senator Patty Murray



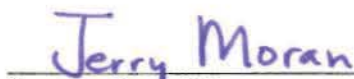
Senator Roy Blunt



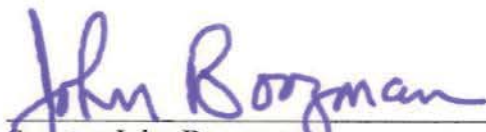
Senator Susan Collins



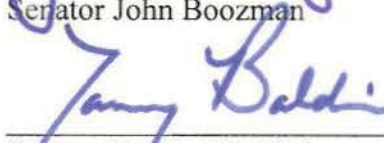
Senator Chuck Grassley



Senator Jerry Moran



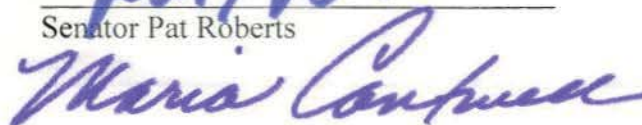
Senator John Boozman



Senator Tammy Baldwin



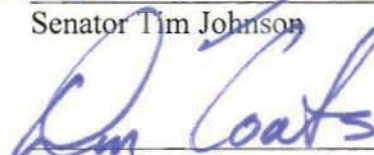
Senator Pat Roberts



Senator Maria Cantwell



Senator Tim Johnson



Senator Dan Coats



Senator Amy Klobuchar



Senator Al Franken





OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

October 24, 2014

The Honorable Mark Pryor  
Chairman  
Subcommittee on Communications, Technology, and the Internet  
Committee on Commerce, Science, and Transportation  
United States Senate  
255 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Chairman Pryor:

Thank you for your letter expressing concerns on the implementation of the urban rate floor. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As you note, the Commission *Order* adopted in April 2014 both delays until January 2015 the implementation of the 2014 rate floor, and then phases-in potential universal service support reductions associated with the rate floor. As a result, the universal service support reductions that go into effect in January of next year will be for only those lines with rates below \$16, with no further increases until July 2016. Subsequent to July 2016, any potential reductions in universal service support will be phased in gradually through 2018. Moreover, the Commission's April *Order* exempts lines serving low-income households through the Lifeline program from any universal service support reductions associated with the rate floor. We took these steps to address concerns such as those you mentioned regarding "unnecessarily excessive" rate increases and possible difficulties some carriers may experience in making rate adjustments at the state level in a short period of time.

Recipients of support are required to report semi-annually to the Commission the number of lines with rates below the rate floor, though, under the phase-in approach adopted by the Commission, no support reductions will occur for lines with rates below \$16 until July 2016. This semi-annual report affords us an opportunity to collect and analyze hard data. I agree with you that we should use the information collected from carriers to evaluate how our implementation of this rule is affecting rural consumers and the achievement of our universal service goals, including, as you recognized, ensuring that neither rural nor urban consumers are subsidizing artificially low rates for a small number of consumers in some states.

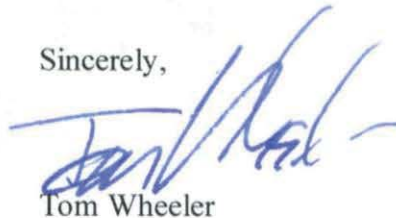
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rules, many carriers apparently did not raise their local rates, and continue to report lines with rates well below the \$14 rate floor. Moreover, in 2014, carriers in 41 study areas in 16 states were still reporting a number of residential local service charges of \$5 or less, further confirming that individual carriers may choose not to raise rates in response to the current rate floor.

Please be assured that the Commission will take into consideration the concerns of all stakeholders as we endeavor to protect rural consumers from excessive rate hikes.

I appreciate your interest in this matter. Please let me know if I can be of any further assistance

Sincerely,

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Tom Wheeler





FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

October 24, 2014

The Honorable Tammy Baldwin  
United States Senate  
717 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Baldwin:

Thank you for your letter expressing concerns on the implementation of the urban rate floor. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As you note, the Commission *Order* adopted in April 2014 both delays until January 2015 the implementation of the 2014 rate floor, and then phases-in potential universal service support reductions associated with the rate floor. As a result, the universal service support reductions that go into effect in January of next year will be for only those lines with rates below \$16, with no further increases until July 2016. Subsequent to July 2016, any potential reductions in universal service support will be phased in gradually through 2018. Moreover, the Commission's April *Order* exempts lines serving low-income households through the Lifeline program from any universal service support reductions associated with the rate floor. We took these steps to address concerns such as those you mentioned regarding "unnecessarily excessive" rate increases and possible difficulties some carriers may experience in making rate adjustments at the state level in a short period of time.

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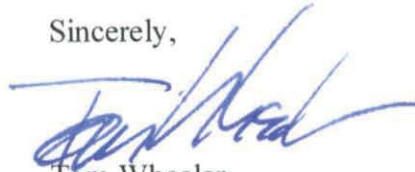
Page 2—The Honorable Tammy Baldwin

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OFFICE OF  
THE CHAIRMAN

FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

October 24, 2014

The Honorable Roy Blunt  
United States Senate  
260 Russell Senate Office Building  
Washington, D.C. 20510

Dear Senator Blunt:

Thank you for your letter expressing concerns on the implementation of the urban rate floor. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As you note, the Commission *Order* adopted in April 2014 both delays until January 2015 the implementation of the 2014 rate floor, and then phases-in potential universal service support reductions associated with the rate floor. As a result, the universal service support reductions that go into effect in January of next year will be for only those lines with rates below \$16, with no further increases until July 2016. Subsequent to July 2016, any potential reductions in universal service support will be phased in gradually through 2018. Moreover, the Commission's April *Order* exempts lines serving low-income households through the Lifeline program from any universal service support reductions associated with the rate floor. We took these steps to address concerns such as those you mentioned regarding "unnecessarily excessive" rate increases and possible difficulties some carriers may experience in making rate adjustments at the state level in a short period of time.

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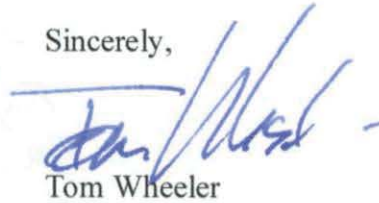
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Tom Wheeler





FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

October 24, 2014

The Honorable John Boozman  
United States Senate  
320 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Boozman:

Thank you for your letter expressing concerns on the implementation of the urban rate floor. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As you note, the Commission *Order* adopted in April 2014 both delays until January 2015 the implementation of the 2014 rate floor, and then phases-in potential universal service support reductions associated with the rate floor. As a result, the universal service support reductions that go into effect in January of next year will be for only those lines with rates below \$16, with no further increases until July 2016. Subsequent to July 2016, any potential reductions in universal service support will be phased in gradually through 2018. Moreover, the Commission's April *Order* exempts lines serving low-income households through the Lifeline program from any universal service support reductions associated with the rate floor. We took these steps to address concerns such as those you mentioned regarding "unnecessarily excessive" rate increases and possible difficulties some carriers may experience in making rate adjustments at the state level in a short period of time.

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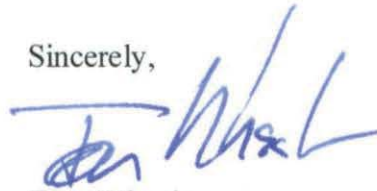
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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

October 24, 2014

The Honorable Maria Cantwell  
United States Senate  
311 Hart Senate Office Building  
Washington, D.C. 20510

Dear Senator Cantwell:

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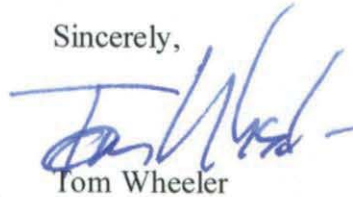
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Tom Wheeler



FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

October 24, 2014

The Honorable Dan Coats  
United States Senate  
493 Russell Senate Office Building  
Washington, D.C. 20510

Dear Senator Coats:

Thank you for your letter expressing concerns on the implementation of the urban rate floor. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

As you note, the Commission *Order* adopted in April 2014 both delays until January 2015 the implementation of the 2014 rate floor, and then phases-in potential universal service support reductions associated with the rate floor. As a result, the universal service support reductions that go into effect in January of next year will be for only those lines with rates below \$16, with no further increases until July 2016. Subsequent to July 2016, any potential reductions in universal service support will be phased in gradually through 2018. Moreover, the Commission's April *Order* exempts lines serving low-income households through the Lifeline program from any universal service support reductions associated with the rate floor. We took these steps to address concerns such as those you mentioned regarding "unnecessarily excessive" rate increases and possible difficulties some carriers may experience in making rate adjustments at the state level in a short period of time.

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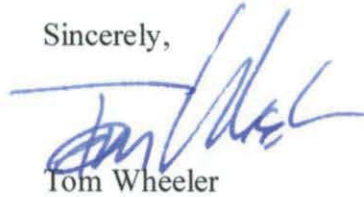
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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

OFFICE OF  
THE CHAIRMAN

October 24, 2014

The Honorable Susan Collins  
United States Senate  
413 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Senator Collins:

Thank you for your letter expressing concerns on the implementation of the urban rate floor. I appreciate your views and will ensure that your letter will be included in the record of the proceeding and considered as part of the Commission's review.

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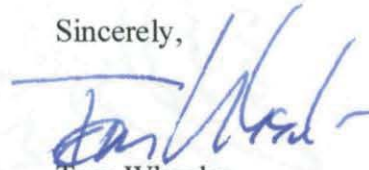
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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON

October 24, 2014

The Honorable Al Franken  
United States Senate  
309 Hart Senate Office Building  
Washington, D.C. 20510

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